Policy have revised the growth projection of overall real Gross Domestic Product (GDP) for 2008-09 to 7.0 percent with a downward bias. In their Mid Term Review of October 2008, they had estimated real GDP growth for 2008-09 in the range of 7.5-8.0 percent. The real GDP growth for 2007-08 (Quick Estimates) as released by the Central Statistical Organisation is estimated at 9.0 percent.

(c) The Government and the RBI have acted to protect the economy from the adverse impact of the global crisis. The Government have taken various fiscal measures which include two packages on 7th December, 2008 and 2nd January, 2009 to stimulate the economy which *inter-alia* include: reduction in Cenvat/Excise duty, measures to support exports, additional allocation for export incentive schemes, enhancement of duty drawback benefits on certain items, refinance facility for the National Housing Bank and enhancement of the loan limit under Credit Guarantee Scheme. The Reserve Bank of India have adopted measures like reduction in Cash Reserve Ratio, provision of Liquidity Adjustment Facility for banks, reduction in the Statutory Liquidity Ratio, significant reduction in key policy rates like the Repo and the Reverse Repo rate and dollar swap facility for banks.

'Violations of RBI guidelines by ADAG'

477. SHRI DHARAM PAL SABHARWAL: Will the Minister of FINANCE be pleased to refer to answer to Starred Question 212 given in the Rajya Sabha on 16th December, 2008 and state:

(a) whether ADAG (Group of Companies) namely, Reliance Communications Ltd., Reliance Capital Ltd., RNRL and Reliance Infrastructure Ltd. have obtained loans from overseas and Indian Banks/Financial Institutions (FIs);

(b) if so, the details of overseas loans including Foreign Currency Convertible Bonds (FCCB) and loans obtained from Indian Banks/FIs during the above period;

(c) whether ADAG (Group of Companies) have violated the RBI guidelines in Foreign Currency Convertible Bonds and RBI has imposed penalty on the group; and

(d) if so, the details in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) The details of overseas loans (ECB/FCCB) obtained by these companies as on February 12, 2009 are given in the Statement (*See* below).

The information in respect of loans obtained by these companies from Indian Banks/Financial Institutions (FIs) is being collected and will be laid on the Table of the House.

(c) and (d) The details as reported by RBI are given as under:

I. **Reliance Infrastructure Limited (RIL) (Formerly Reliance Energy Limited)**

As part of regular monitoring of high value ECBs, RBI had observed end-use violations in respect of certain cases, including the ECBs of USD 360 million (LRN 2006543) and USD 150 million (LRN 2006779) availed of by Reliance Infrastructure Limited (RIL) (Formerly Reliance Energy Limited). It was observed that in both the cases, the funds parked abroad were brought into India and kept invested in debt

mutual funds, pending utilization for the declared end-use. This was in violation of the extant ECB guidelines which require the ECB proceeds to be parked overseas until actual requirement in India and which specifically disallow utilization of ECBs Proceeds for investment in the capital market.

The above violations by RIL had been taken up with the designated AD bank. Consequently, RIL initially sought a voluntary compounding in respect of the ECB of USD 360 million. After observing the due process, a compounding order was passed in terms of Foreign Exchange (Compounding Proceedings) Rules, 2000 and a penalty of Rs.124.68 crore was levied. However, RIL did not pay the penalty within the time (15 days) specified. Later, RIL approached the Reserve Bank for compounding in respect of both the ECBs of USD 360 million and USD 150 million respectively, clubbing the two applications together. However, the compounding application was not found to be in order as it involved more than one transaction and contravention of different regulations. The company was, therefore, advised to make separate applications. The company has not reverted to the RBI so far. RBI has referred these violations to the Directorate of Enforcement for necessary action.

II. **Reliance Natural Resources Limited (RNRL)**

RNRL issued FCCB of USD 300 million (LRN2006210) on October 17, 2006 for the purpose of 'project' under the automatic route and parked the proceeds with UBS, London till May 2007. It is observed during the review that out of the USD 300 million raised, the company has brought USD 275 million (Rs. 1127 crores) to India in May 2007 for capital expenditure and was parked in debt mutual funds (Reliance FMPs and Liquid Schemes), pending utilization. Subsequently, in August 2008, an amount of Rs. 1160 crore (USD 275 million) was invested in a wholly owned subsidiary in Singapore. This aspect has also been flagged in the reference made to the Directorate of Enforcement.

III. **Reliance Communications Ltd.**

As part of the review of large ECBs, the following audit qualification has been noticed by the RBI from the audited financial statement of the company for the year March 31, 2007- "in respect of end-use of money raised by issue of Foreign Currency Convertible Bonds (FCCB) as disclosed in the Schedules to the financial statements, in our opinion and based on the information and explanations given to us and certified by the management, the company has utilized an amount of Rs.1,343 crore for purposes as stated/specified in the offering document for the FCCB. The unutilized money of Rs. 5,142 crore has been deposited interest free with a wholly owned subsidiary. We are informed by the management that these monies are held by the subsidiary in bank deposits, etc....."

Parking of funds with a subsidiary is not permitted as per extant guidelines on ECB. The Reserve Bank therefore took up the matter with the designated AD bank in November 2008 for their comments on the observations of the Statutory Auditors; a reply thereon is still awaited.

Statement

'Violations of RBI Guidelines by ADAG'

ECB/FCCB loan details for four Borrowers as on February 12, 2009

Sl. No.	LRN	BORR—Name	CRED—Name	ECB FCCB	Fund—USE	Currency	Amount in USD	Auto/ Approval Route
1	2	3	4	5	6	7	8	9
1.	2005557	Reliance Energy limited	BNP Paribas, Singapore Branch	ECB	Refinancing of old loans	USD	250,000,000	Auto Route
2.	2006109	Reliance Communications Ltd.	A Group of Bond Holders	FCCB	Import of Capital Goods	USD	500,000,000	Auto Route
3.	2006210	Reliance Natural Resources Ltd.	A Group of Bond Holders	FCCB	Project	USD	300,000,000	Auto Route
4.	2006543	Reliance Energy limited	A Group of International Banks	ECB	Rupee Expenditure Loc.CG	USD	360,000,000	Auto Route
5.	2006779	Reliance Energy limited	ABN Amro Bank N.V. USA	ECB	Project	USD	150,000,000	Approval Route
6.	2007097	Reliance Communications Ltd.	A Group of Bond Holders	FCCB	Import of Capital Goods	USD	500,000,000	Auto Route
7.	2007098	Reliance Communications Ltd.	A Group of Bond Holders	FCCB	Import of Capital Goods	USD	500,000,000	Approval Route

1	2	3	4	5	6	7	8	9
8.	2007269	Reliance Communications Ltd.	Barclays Bank PLC	ECB	Rupee Expenditure Loc.CG	USD	500,000,000	Auto Route
9.	2007761	Reliance Communications Ltd.	BNP Paribas, Singapore Branch	ECB	Refinancing of old loans	USD	500,000,000	Auto Route
10.	2008046	Reliance Communications Ltd.	Export Development Canada	ECB	Refinancing of old loans	USD	116,326,322	Auto Route
11.	2008055	Reliance Communications Ltd.	ABN AMRO Bank, U.K.	ECB	Refinancing of old loans	USD	279,976,295	Auto Route
12.	2008115	Reliance Communications Ltd.	Export Development Canada	ECB	Import of Capital Goods	USD	250,000,000	Approval Route
13.	2008129	Reliance Communications Ltd.	Export Development Canada	ECB	Import of Capital Goods	USD	150,000,000	Auto Route
14.	2008130	Reliance Communications Ltd.	H.S.B.C. France	ECB	Import of Capital Goods	USD	50,000,000	Auto Route
15.	2008168	Reliance Communications Ltd.	China Development Bank	ECB	Import of Capital Goods	USD	750,000,000	Approval Route
16.	2008666	Reliance Communications Ltd.	Export Development Canada	ECB	Import of Capital Goods	USD	150,000,000	Auto Route

Note: Reliance Capital Ltd. has not availed any ECB/FCCB loan as on February 12, 2009